

DIA review(s) completed.

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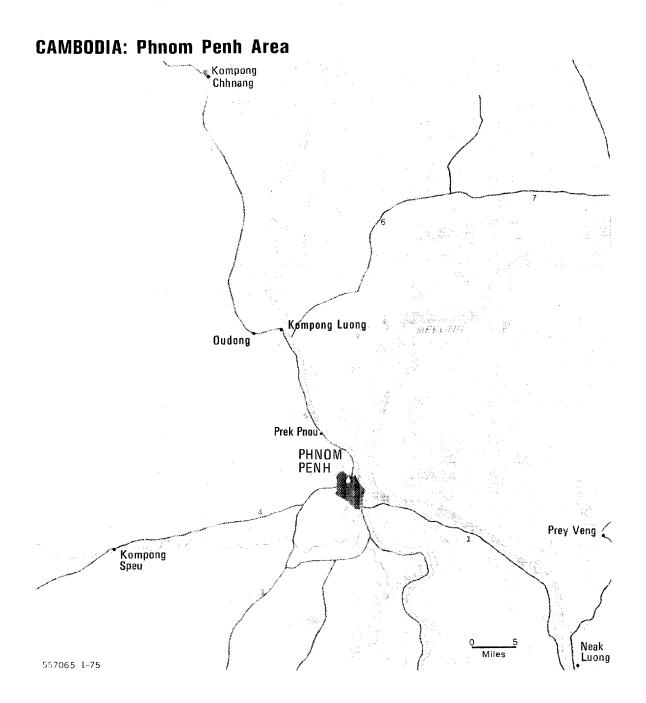
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#### CAMBODIA

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Government troops appear to be retaking the initiative in some of the areas attacked in the Communists' New Year's offensive. Territory on the east bank of the Mekong above Phnom Penh and along Route 4 southwest of the capital has been recaptured by counterattacking government forces.

Earlier reports that the government had abandoned the military fuel depot at Prek Pnou proved to be false.

Cambodian forces maintained control of the depot and are holding the garrison. Government clearing operations along Route 5 just north of the fuel depot, however, continue to meet stiff resistance, and the road remains cut in this area. The government's 7th Division has made some progress in clearing a secondary road west of the fuel depot and in relieving some isolated units.

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Elsewhere in the country, insurgent forces have increased their holdings in the Mekong River corridor along Route 1 near a choke point about 25 miles southeast of the capital. Several other positions guarding another narrow point in the river 40 miles from Phnom Penh have fallen since January 1. The river remains open, but resupply convoys will be vulnerable to heavy harassment unless government units are able to retake some of the lost terrain. The next convoy to transit the Mekong from South Vietnam is scheduled for January 7.

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#### RHODESIA

Prime Minister Smith's truce agreement with the black insurgent leaders appears to be taking effect gradually. Prospects are dim, however, for the early constitutional conference called for in the agreement.

Since Smith announced the truce on December 11, the Salisbury government has released at least 50 of some 400 black political detainees. The releases have occurred despite government claims that the insurgents are responsible for a number of recent small-scale attacks on security patrols and civilian farmers.

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On December 24, four members of the large South African police contingent serving in Rhodesia were killed while attempting to arrange a cease-fire with a small guerrilla band. A spokesman for the African National Council, which since early December has included the three Rhodesian insurgent organizations, expressed regrets, explaining that cease-fire orders had not yet reached some of the more isolated guerrilla units. Official South African commentary on the killings has been so restrained as to discourage Smith from any retaliatory measures that might further disrupt the truce.

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Smith and the black nationalists are still unable to agree on a site for the projected constitutional conference. The nationalists are opposed to Smith's plan to hold it in Salisbury, where they fear he would preside and play them off against each other.

When British Foreign Secretary Callaghan visited Zambia this week, President Kaunda reportedly urged him to convene a constitutional conference in London. Muzorewa and the principal insurgent leaders also favor holding the conference in London, but Smith is likely to resist such an arrangement.

Callaghan will also visit South Africa today to consult with Prime Minister Vorster on Rhodesia.

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#### IRAN - ARAB STATES

Since the late 1960s the Shah has worked to improve Iran's ties with moderate and conservative Arab countries. His state visits to Jordan and Egypt next week will be the latest step in this effort. As a result of the trip, the Iranian monarch hopes to enhance his own image as a constructive influence in regional politics, demonstrate his support for a moderate approach to area problems, and further the political isolation of radical regimes such as Iraq's.

During the past several years, the Shah has become an increasingly important factor in area politics because of his country's growing military power, his willingness to commit that power in the Persian Gulf area, and his key role in the Organization of Petroleum Exporting Countries. As the Shah's ties to the Arab states have grown, he has sharpened his formerly lukewarm political support for the Arab cause against Israel. Iran, however, maintains diplomatic ties, economic exchanges with Tel Aviv.

The Shah has been most successful in improving relations with Egypt, where he will make his first state visit from January 8 to 12. Bilateral relations—at their nadir during the administration of the late president Nasir—have warmed steadily since President Sadat took over in late 1970. The Shah has praised Sadat's leadership and characterized him as a moderate, responsible for reducing the Soviet presence in Egypt.

Both Sadat and the Shah have sought to identify and expand areas of mutual interest. Each favors limiting the influence of radical Arab regimes and professes a desire to restrict the presence and influence in the region of outside powers.

Both sides have gained from closer relations. Sadat has endorsed the Shah's attempts to foster closer economic and security cooperation among Indian Ocean countries and acquiesced in, if not embraced, Iran's growing role in security affairs in the Persian Gulf.

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has also generally turned aside Iraqi requests that Egypt protest Iran's military involvement in the Iraqi-Kurdish war. Iraqi pressures are continuing, however, and the subject probably will be raised in Cairo. Sadat has similarly ignored demands from Arab radicals that Arab governments condemn Iran's military role in Oman.

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Despite the warming trend in relations, the Shah looks on some of Cairo's recent efforts in the Arabian Peninsula with some suspicion. Tehran suspects that anti-Iranian sentiment played a large part in Egypt's suspended effort to create a pan-Arab military force for service in Oman. The Shah also probably views Cairo's efforts to lessen South Yemen's radicalism and to reduce its dependence on the Soviet Union as naive and doomed to failure.

Over the years, the Shah has maintained good relations with Jordan's King Husayn, whom the Iranian leader will visit from January 6 to 8. During 1974, Iran provided Jordan with \$15 million in loans.

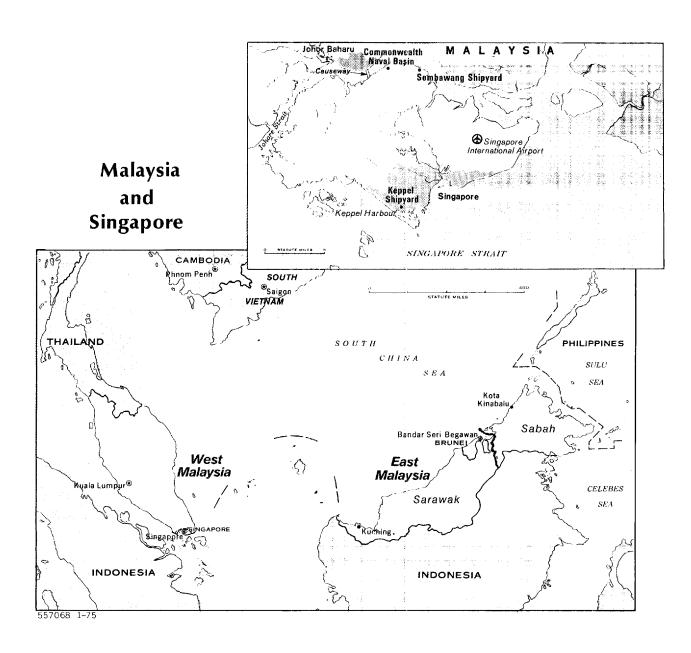
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#### SINGAPORE

Following the announcement last month of British plans for near total withdrawal of their forces, Singapore is again soliciting reactions from the US and the UK to increased Soviet use of restricted ship repair facilities.

In a recent conversation with the US naval attaché, Defense Secretary Pang Tee Poh stated that British views have already been requested and he expected no objection. Pang is the government director of the restricted Sembawang Shipyard. He is believed to be anxious to accept Soviet ship overhaul contracts because of increasing competition, continued expansion of Sembawang's facilities, and declining US and UK naval use of the facilities, which has already prompted the yard to cater increasingly to commercial repair work. Prime Minister Lee Kuan Yew probably believes that, with the anticipated British military departure, security considerations must give way to economic priorities.

A fairly lucrative repair business is conducted with the USSR by the government-owned Keppel Shipyard on the south side of Singapore. Soviet access to Sembawang, on the northern side of Singapore and near the Commonwealth Naval Basin, which is also used by US navy ships, has generally been denied for security reasons under informal arrangements with the UK. Despite offers of attractive package deals in exchange for shipyard services, the USSR has so far failed to gain entrance to the yard. A Soviet naval oiler is tentatively scheduled to be overhauled at Sembawang in mid-February.

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